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ABSTRACT

Although many of the 100 million women employed in the developing world are entrepreneurs, they are often unable to become self sufficient or to adequately support their families through entrepreneurship. However, in the past decade, several entities, from microlending banks to United Nations task forces, have intervened to enable women in developing countries become successful entrepreneurs and providers. This digest discusses the challenges and barriers that these women face, as well as some of the positive developments, and considers some of the organizations and entities that work with these female entrepreneurs. The digest notes that, in addition to the economic benefits of women's successful entrepreneurship, there are also social and community benefits. It finds that greater and continued support for entrepreneurial activities is needed to further improve the lives of these women and the condition of their communities. (BT)

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DIGEST Number 01-04 Women Entrepreneurs in the Developing World

By Nicole Seymour

Throughout the developing world, approximately 100 million women are employed in industries, from clothing manufacturing to food processing (UNIDO, 1995a, 1995b). These women face unique work-related challenges based not only on their gender, but also the quality of their nations' resources. While many of these women are entrepreneurs, they are often unable to become self-sufficient or to adequately support their families through entrepreneurship. However, in the past decade, several entities, from microlending banks to United Nations taskforces, have intervened to help enable women in developing nations become successful entrepreneurs and providers.

Challenges and Barriers

Entrepreneurs usually require financial assistance of some kind to launch their ventures - be it a formal bank loan or money from a savings account. Women in developing nations have little access to funds, due to the fact that they are concentrated in poor rural communities with few opportunities to borrow money (Starcher, 1996; UNIDO, 1995a). According to a report by the United Nations Industrial Development Organization (UNIDO), "despite evidence that women's loan repayment rates are higher than men's, women still face more difficulties in obtaining credit," often due to discriminatory attitudes of banks and informal lending groups

(UNIDO, 1995b). Even in the advanced developing economy of Turkey, where 67% of female entrepreneurs have a university education, 41% of entrepreneurial women surveyed reported experiencing difficulty in obtaining loans (Hisrich & Ozturk, 1999). In developing nations, this lack of access to credit is often exacerbated by a lack of information on where credit can be sought and requirements for loans ("Women Entrepreneurs in Poorest Countries," 2001).

Women's family obligations also bar them from becoming successful entrepreneurs in both developed and developing nations. "Having primary responsibility for children, home and older dependent family members, few women can devote all their time and energies to their business" (Starcher, 1996, p. 8). Traditional gender role expectations and sexist attitudes in many developing nations make it even more difficult for women to relieve themselves of family responsibilities. At the Indian Women Entrepreneurs Conference in 1999, Hyderabad governor Dr. C. Rangarajan suggested that entrepreneurial opportunities for women would remain limited without attitudinal changes among men and family members. According the governor, "the real entrepreneurial spirit of women can assert itself only if they break out of the traditional mould and decide to venture out" (as cited in "India - 'Attitudinal Change Must for Success'," 1999, ¶ 5).

Many women in developing nations lack the education needed to spur successful entrepreneurship. They are ignorant of new technologies or unskilled in their use, and often unable to do research and gain the necessary training (UNIDO, 1995b, p.1). Although great advances are being made in technology, many women's illiteracy, strucutural difficulties, and lack of access to technical training prevent the technology from being beneficial or even available to females ("Women Entrepreneurs in Poorest Countries," 2001). According to The Economist, this lack of knowledge and the continuing treatment of women as second-class

citizens keeps them in a pervasive cycle of poverty ("The Female Poverty Trap," 2001). In short, uneducated and untrained women in developing nations face significant challenges and barriers in providing for themselves and their families, or in efficiently developing new or independent enterprises as means of support.

Positive Developments

Although the above challenges and barriers are typical for women in developing nations, many groups are realizing the importance of helping these women overcome them. The Economist notes that "educating more women in developing countries…is likely to raise the productive potential of an economy significantly" ("The Female Poverty Trap," 2001, ¶ 5). Starcher (1996, p. 8) states that, to some, women in the developing world "are considered as the best hope for lifting their families and villages out of poverty". According to the Third United Nations Conference on Least Developed Countries, all sectors of society, both national and international, must tackle the problems faced by women entrepreneurs because of the potential benefits of their success for entire nations ("Women Entrepreneurs in Poorest Countries," 2001).

One group addressing these problems is UNIDO, which recognizes that women's entrepreneurial aspirations are hindered and undertakes long-term training projects in foreign countries to alleviate the challenges women face. One of UNIDO's most impressive undertakings has been assisting the women of Tanzania in becoming successful entrepreneurs in the food industry, a project it first undertook in 1994. It addressed the constraints on women in this industry through skills development via courses, manuals and a team of trainers; monitoring trainees and enterprises; promoting enterprise networking; market development; and offering general support services. One of the project's major accomplishments was the development of the Tanzanian Food Processors Association, which linked female entrepreneurs together and

allowed them to develop a trademark brand of food products, which are currently sold throughout the country. To date, 66% of the women involved in the Tanzanian project started new businesses, and 34% expanded existing businesses. In addition, hundreds of new local jobs for women were created (Salazar, 1999).

Many financial institutions, realizing the positive impact of helping female entrepreneurs get started, are employing the innovative concept of microcredit. Microcredit (lending small sums to poor people to set up or expand small businesses) has been shown to be an effective way to alleviate poverty, as the poor usually cannot borrow from commercial banks due to lack of collateral ("Africa's Women Go to Work," 2001). Approximately 14 million people now borrow from microlenders, a number that has increased by over 80% in the past two years ("Africa's Women Go to Work," 2001).

Since the 1970s, organizations such as Grameen Bank of Bangladesh have helped many in developing nations start their own businesses. In the Grameen model, a member of a group of rural women takes out a microloan to start up an enterprise. The next woman in the group can borrow only when the previous has repaid, thus, community pressure minimizes default rates ("Africa's Women Go to Work," 2001).

Although microlenders do face several problems, such as lack or inability of guarantors to back up borrowers and a general need for more capital in order to satisfy increasing demands, females seem to actually have greater access to microloans than men. Females make up the overwhelming majority of microborrowers assisted by organizations like Grameen Bank (http://www.rdc.com.au/grameen/home.html). According to The Economist, microlenders prefer lending to women because they are likely to use additional income to feed and clothe their

children, thus improving community well-being, whereas men are more prone to use the money for entertainment or alcohol ("Africa's Women Go to Work," 2001).

Further Implications

Besides the economic benefits of women's successful entrepreneurship, there are also social and community benefits. One is that expertise and experience are usually perpetuated and passed on, making others successful as well. For instance, participants in a garment-making training process in Kenya "shared their know-how with employees, apprentices and family members, who have in turn trained others" (United Nations Division for Sustainable Development, 1999, ¶ 2). According to The Foundation for International Community Assistance (FINCA) Web site, "microentrepreneurs know that if one member's business attracts customers to the neighborhood, all are likely to benefit" from the increased opportunity and economic vitality (http://www.villagebanking. org). FINCA also notes that enabling women to help themselves through entrepreneurship raises their sense of self-worth, making them even more eager to be productive members of society. These benefits indicate the worthiness and viability of assisting entrepreneurial women in the developing world, though multiple challenges still exist. Greater and continued support for entrepreneurial activities is needed to further improve the lives of these women and the condition of their communities.

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